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FISCAL IMPACT REPORT

ORIGINAL DATE 1/29/06

SPONSOR Gonzales LAST UPDATED _____ HB 455

SHORT TITLE SCHOOL BUS GAS TAX DEDUCTION SB _____

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	(16.0)	(13.7)	Recurring	State Road Fund
	(2.2)	(1.9)	Recurring	Municipalities and Counties
	(1.2)	(1.2)	Recurring	County Government Road Fund
	(1.2)	(1.2)	Recurring	Municipal Road Fund
	(0.3)	(0.3)	Recurring	Municipal Arterial Fund
	(0.05)	(0.05)	Recurring	State Aviation fund
	(0.03)	(0.02)	Recurring	Motor Boat Fuel Fund
	11.6	10.0	Recurring	Compensating Tax: General fund
	1.5	1.2	Recurring	Compensating Tax: Small Cities Assistance
	1.5	1.2	Recurring	Compensating Tax: Small County Assistance

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department (TRD)

Responses Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 455 amends the Gasoline Tax Act to allow school buses contracted with the Public Education Department (PED) or a public school district to deduct the amount of gasoline excise tax they currently pay. The claim by a school bus operator can be filed quarterly and for no less than one hundred gallons.

The effective date is July 1, 2006

FISCAL IMPLICATIONS

Based on information PED provided TRD, total gasoline tax payments for school bus operators are estimated to be \$21,000 in FY07 and \$18,000 in FY07. With the deduction, the gasoline tax revenues will decline by those amounts. Table one shows how the reduction in revenues will impact the funds that receive distributions.

Table 1: Distribution of Gasoline Tax Deduction

(000s)	Distribution Share	(21,000)	(18,000)
State Aviation Fund	0.26%	\$ (0.05)	\$ (0.05)
Motorboat Fuel Tax Fund	0.13%	(0.03)	(0.02)
Counties and Municipalities	10.38%	(2.18)	(1.87)
County government road fund	5.76%	(1.21)	(1.04)
Road funds of Municipalities	5.76%	(1.21)	(1.04)
Municipal arterial program	1.44%	(0.30)	(0.26)
State Road Fund	76.27%	(16.02)	(13.73)

Since the amount of the deduction is no longer part of the gasoline tax, it becomes taxable under the compensating tax. At 17 cents per gallon, the current excise rate, the amount of gallons used 123,500 in FY07 and 105,880 used in FY08. The compensating tax revenues would increase by \$14.5 million in FY07 and \$12.4 million in FY08.

Table 2: Net Impact on School Bus Operators

	FY07	FY08
Gasoline Tax Revenues	\$ (21,000)	\$ (18,000)
Compensating Tax Revenues	14,515	12,441
Net Impact	\$ (6,485)	\$ (5,559)

OTHER SUBSTANTIVE ISSUES

TRD:

It is important the proposal includes both a deduction and a refund claim mechanism because

of the way the Gasoline Tax is collected (see discussion below). However, the sponsors of the proposal may not be aware that gross receipts or compensating tax would be due on any fuel for which the users claim the gasoline tax deduction or refund. The exemption from gross receipts and compensating tax for gasoline sales is limited to sales on which the gasoline tax has been paid (Section 7-9-26).

Gasoline tax background:

Gasoline tax is collected from persons “receiving” fuel in the state (generally large-volume middlemen between the terminal and retailers). In order for the person receiving the fuel to take a deduction, he/she needs to be able to show that they sold fuel to someone who was eligible for the deduction. Large volume school bus users, who purchase directly from the persons receiving the fuel, would be able to certify that they are using the fuel for a validly deductible purpose, thus enabling the gasoline taxpayer to take the deduction.

This mechanism will not work for small volume users who purchase their fuel at retail. When most retailers purchase their fuel the gasoline tax has already been paid. Since the retailer is not the entity eligible for the deduction, there is no realistic mechanism that would enable the school bus user to prove to the original taxpayer that they are eligible for the deduction. The proper mechanism to provide tax relief in this circumstance is a refund for the small volume school bus users. Such a mechanism already exists in the Special Fuel Tax statutes for school bus users (Section 7-16A-13.1). The user would provide evidence to the Department that their use of the fuel is eligible for deduction and the Department would refund the tax paid on the fuel to the user. At the same time, however, the Department will collect compensating tax on the fuel at the rate of 5% of the purchase price

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